

MINUTES

INDEPENDENT PETROLEUM ASSOCIATION OF NEW MEXICO

Board of Directors' Meeting

August 7, 2013

Sandia Resort, Albuquerque, NM

REVISED 10/7/2013

Board members in attendance were Gary Brink, Richard Gilliland, Glen Papp, Francisco Olvera, Greg Nibert, John Alexander, Bob Armstrong, Tucker Bayless, Tom Blair, Dan Girand, Tim Green, Randall Hudson, Knute Lee, Kevin Leonard, T. Greg Merrion, Chuck Moran, Mark Murphy, Larry Scott, John Thompson, Paul Thompson and Betty Young. Also attending were incoming board members Ryan Davis, Ron Hillman, Mitch Krakauskas and Ed Lauer. Also present were Karin Foster and Pam Garlinger. Attorney Steve Ingram attended during his presentation only.

- **Old Business**

- **Pit Rule** -Karin Foster reported that OGAP filed a claim that two members of the OCC, Jami Bailey and Robert Balch, were biased. She believes the claim was not filed timely, and no appeal of the ruling was filed. Gary Brink questioned if IPANM needs to continue its involvement in the process. Karin recommended that we continue to monitor developments, but not get involved at this time. She further stated that the rule is subjective and the various OCD districts have differences in their requirements. The Board voted unanimously to continue to monitor, but not get involved unless developments warrant further action.
- **Prairie Chicken** - Richard Gilliland gave an overview of past action by an advocacy group and reported that an extension of time to submit comments was achieved. The deadline for the decision to list the species as endangered will be March 30, 2014. He cited an independent third-party report that the data does not support the listing. He was asked to put a link to the report on our website. Richard also stated that the NM Game & Fish Department opposes the listing.
- **SLO Surface ROW and Damage Fee Committee** - This issue centers on the use of state surface in southeast NM being used to develop non-state minerals, questioning if the State Trust is getting compensated correctly. The state is trying to come up with a

compensation amount for these locations and trying to decide the best way to structure these agreements. Greg Bloom, of the State Land Office, has put together a work group to study the issue. Mitch Krakauskas, Ron Hillman and Mike Hanagan will be on the panel and will report back to industry as the panel moves forward. In the meantime, several producers have been left in limbo.

- **Potash Rule Update** - Mitch stated that a Joint Industry Technical Committee (JITC) has been set up to review the rule. Craig Cranston with Carlsbad BLM has drafted a set of "Guidelines and Rules to Implement the Secretary's 2012 Order." These guidelines were circulated for comment in May-June and a final copy was sent to the State Solicitor the first of August, we should expect a final draft by the first of September. One of the major issues being discussed by both industries in the JITC meetings are extending the quarter-mile buffer zone around oil wells to include down through the second bone spring formation, which is something that industry has been fighting hard for. Also, potash has proposed implementing a one-mile buffer zone around all open mine workings. This would effectively make the quarter mile buffer for oil wells and the half mile buffer for gas wells a mute point; industry has been fighting this and we should have this cleared up in the final guidelines. Karin said a sub-committee met with OCD to try to change the potash rules to match OCD rules. Mitch asked that we encourage effected members to attend the BLM meeting on September 12.

- **New Business**

- **Amicus Brief Filing on Surface Owners Protection Act** - Steve Ingram, an Albuquerque attorney, spoke on behalf of a company owned by an IPANM board member. He outlined a suit alleging surface damages due to a seismic study on a recalcitrant rancher's land, which is currently in appeal. At issue is the question of whether seismic surveys are considered a surface disturbing act. Mr. Ingram stated that the appellate judge will need guidance, as they are not familiar with seismic surveys, and there are no other similar cases on file in New Mexico. He would like to see IPANM coordinate with him and file an amicus brief on the matter. After Mr. Ingram's departure, the Board discussed the costs to IPANM. Karin estimated it would take 10-11 hours. The Board unanimously voted to have Karin prepare the brief. **Please note that Mark Murphy and Mitch Krakauskas abstained from voting.**
- **Amicus Brief Filing on State Marketability Case** - This NM Supreme Court case centers on exactly where gas becomes marketable, the same issue as with ONRR. Parties have asked IPANM to file a brief. Karin reported that the IPANM Legal

Committee has reviewed the question, and Drew Cloutier has offered to file an initial brief, free of cost to IPANM. However, there would be a need for a follow-up brief. Karin stated that this issue is not her area of expertise, and she would not be able to do any follow-up work. She estimated that Drew would charge around \$10,000. There was a motion, and the Board voted unanimously to have IPANM participate, as outlined above.

- **MSLF Suit with Mora County** – Karin reminded the Board that Mora County’s moratorium against companies drilling has been expended to include individuals. The Mountain States Legal Foundation has offered to pursue a suit against the county on IPANM’s behalf, at no cost to us. She knows of both mineral and surface owners who would join in such a suit. She feels there is a strong argument for federal court, as well as potential civil rights issues.
- **NMOGA/API Outreach** – Gary reported that NMOGA approached IPANM to contribute \$33,000 per year for the next three years to support a NMOGA employee who would be hired to do outreach work with NM counties. We asked for a job description for the employee, and received no response. It was reported to us that NMOGA stated we turned them down, and they will pursue the outreach without us.
- **BLM Commingling IM** – Gary stated that a new IM was issued, and while it is not bad for industry, it will require more paperwork.
- **BLM Frac Rule** – The rule is in its comment period. The rule will be hard on smaller companies and is regarded as a bad rule.
- **Infazine Update** – Gary reported that an update, slated for release by the next Legislative Session, will be written and compiled by an outside agency, under IPANM’s direction.

- **Treasurer’s Report**

- Francisco Olvera gave a quick overview of IPANM financials and a comparison to the budget to date. He also presented a projection for the annual meeting revenue.

- **Legislative and Government Report**

- Karin recapped the ONRR workshop conducted in June. She also announced she would present another ONRR workshop later this year.
- She talked about her predictions for the upcoming 30-day Legislative Session. Although this Session should be limited to budget matters only, she has information that the Attorney General may seek to increase Oil & Gas Act penalties from \$1,000 to \$10,000 per day per violation. She warned that the Governor will not tolerate bad actors, and the change may be on the agenda.

- Karin also asked the Board to be ready for fundraising requests, as this will be an election year.
- **Election of Officers**

- After nominations, the following officers were elected to serve for the 2013-2014 term:
 - President - Richard Gilliland
 - North VP - Glen Papp
 - South VP - Mitch Krakauskas
 - Sec/Treasurer - Francisco Olvera
- **Next Board Meeting**

- The next meeting has been scheduled for October 7, in the Zia Room of Eldorado in Santa Fe, at 7am.

Addendum to the Minutes

On August 9, 2013, during the annual meeting of IPANM's membership, members elected the following board members:

- Ryan Davis of Merrion Oil & Gas
- Ron Hillman of Armstrong Energy Corporation
- Ed Lauer of Lucky Services
- Mitch Krakauskas of Strata Production

Resigning from the Board were:

- Steve Dunn
- Dwayne Taylor
- Frank McCreight